



CITY COUNCIL

Finance Committee

**Monday, August 6, 2007
Meeting Report**

Committee Members in Attendance: M. Goodman-Hinnershitz, Chair, J. Waltman

Absent: S. Fuhs

Others Attending: L. Churchill, R. Hottenstein, D. Cituk, L. Kelleher, V. Spencer, A. Boscov, A. Mukerji, C. Younger

Ms. Goodman-Hinnershitz called the meeting to order at 5:00p.m.

I. Tax Exempt Properties

There was a discussion on having City representation at tax exemption and tax appeal hearings. Mr. Waltman thanked the Administration for sending hearing notices to the City Clerk so they can be distributed to City Council.

There was next a discussion on the need for a reassessment on a County-wide level. Ms. Kelleher distributed an article that appeared in the Sunday, August 5 Reading Eagle describing the County's aversion to a reassessment and their plan to address the various assessment inadequacies in other ways.

II. Review June Finance Statement

The Finance Committee reviewed the June Income Statement prepared by the Finance Director.

Mr. Hottenstein explained the payroll postings are current. However, the health benefit costs are one month behind. He added that pension and other benefit costs are not booked until the end of the year.

Mr. Cituk noted that the \$1 million in revenue expected from the Parking Authority will not arrive as planned. He reminded Council of the correspondence and conversation with the Parking Authority about this matter. He noted that this \$1 million would repay a prior loan

made to the Parking Authority. He reminded the Committee that the Executive Director of the Parking Authority expressed concern that building projects and other maintenance responsibilities will suffer if this payment is made.

III. External Audit - RFP

Mr. Cituk distributed a list of accounting firms that bid on the external audit RFP from 1997 through current.

Mr. Cituk explained the method used to select an external auditor for the City.

Ms. Kelleher questioned why Council is excluded from the selection process. She explained that prior to the Eppihimer Administration the Council Finance Committee served on the selection committee to choose an external auditor.

Mr. Cituk again explained the selection process used by the Administration and Auditor's office and noted the weighted criteria used to evaluate the bids.

Ms. Kelleher countered that the Finance Committee should be provided with the opportunity to decide if they wish to participate in the selection process as the external auditor ultimately reports to City Council.

After discussion it was decided that the Finance Committee will participate in reviewing the proposals submitted when the RFP for external auditor is sent out.

Mr. Cituk explained that Herbein and Company, a local accounting firm, has performed the external auditing services for the past 10 years. Prior to that, the City contracted with Barbacane Thornton. They provided services for approximately 10 years prior to 1997.

IV. Goggle Works Apartments

Albert Boscov and Economic Development Manager Adam Mukerji stated that the Goggle Works project cost is approximately \$19 million. The Goggle Works Apartments will be composed of 59 two bedroom apartment units that will rent for approximately \$900 per unit. They explained the variety of grants obtained to offset the construction costs.

Mr. Boscov asked Council to consider exempting the Goggle Works Apartments from property tax payments. He stated that this request was approved by the County Commissioners and the Reading School District. He stated that Our City Reading would make a voluntary contribution of \$30,000 to each taxing body in the second year; for the following five years the voluntary contribution will be increased by ½ of the increase in rental income revenue, which will continue through year 40. After year 40, the current assessed value will be paid.

Mr. Mukerji explained that of the 59 units, 12 will be low-moderate using the Reading Housing Authority voucher method. These low-moderate units will be filled by senior citizens and artists, not the standard Section 8 low income tenants. He explained that the Reading Housing Authority will manage this contract.

Mr. Mukerji noted that the first of the Penn Street units recently sold for \$200,000. He explained this partnership with the Reading Housing Authority.

Mr. Boscov noted Mr. Sidhu's commitment to bring a minimum of six restaurants to the downtown.

Mr. Boscov described the many challenges with the Goggle Works Apartments construction project. He also described his lengthy efforts to avoid seeking financial assistance from the City. He explained that the \$850,000 HOME 108 loan requested will be repaid.

Mr. Churchill and Mr. Younger agreed that a resolution to approve the tax agreement and approve the home 108 loan would be prepared for the August 13 regular meeting of Council.

V. Redevelopment Authority Audit

Mr. Cituk stated that this audit is no longer necessary due to the explanation given by Linda Heimbeck from Herbein and Company at a previous Committee of the Whole session.

Ms. Kelleher reminded Mr. Cituk that Council President Spencer and Councilor Fuhs specifically asked the City Auditor to perform an internal audit of the Redevelopment Authority.

Council President Spencer reminded Mr. Cituk of his concerns regarding the booking of assets and transfer of funds in the Redevelopment Authority accounts. He also noted concern with the lines of communication and functions between the accounting office and the Redevelopment Authority.

Mr. Hottenstein noted the need for all financial transactions to go through the Finance Department. He described a recent plan for the Finance Director and/or Accounting Manager to attend all Redevelopment Authority meetings.

Mr. Cituk attempted to describe the internal process used to control transactions and asset management.

Mr. Spencer noted the need for tighter controls. He noted the Administration's payment of \$30,000 to BEP for lobbyist fees with CDBG Administrative Funds.

Mr. Hottenstein explained that the \$30,000 payment was made from the general fund. Reimbursement will be provided by CDBG.

Mr. Waltman questioned if the Administration was able to utilize CDBG Administrative Funds to cover these costs.

Mr. Spencer questioned the availability of UDAG funding resulting from the repayment of a CNA Construction project loan. He questioned if UDAG funds are used to pay CD consultant Bill Lowenstien. He also questioned where these UDAG monies are shown in the external audit and where these funds are allocated in the City's general or CDBG funds.

Mr. Waltman noted that the external audit is generally high-level. He agreed with the need for an occasional deeper audit in all operational areas. The committee decided to discuss this topic again at the September Finance Committee meeting.

The Finance Committee meeting adjourned.

Respectfully submitted by,

Linda Kelleher
City Clerk